

# State of Misconsin 2009 - 2010 LEGISLATURE

LRB-1280/2
MES/RCT/JK:bjk:ph

DOA:.....Miner, BB0315 - Individual income and corporate income and franchise tax credit for landowners and beginning farmers

FOR 2009-11 BUDGET -- NOT READY FOR INTRODUCTION

AN ACT ...; relating to: the budget.

## Analysis by the Legislative Reference Bureau TAXATION

### INCOME TAXATION

This bill creates a refundable individual income tax credit for a beginning farmer who enters into at least a three year lease of an established farmer's agricultural assets, other than land, and uses the assets for farming, and a refundable individual and corporate income and franchise tax credit for the established farmer whose assets are leased. Because the credit is refundable, if the amount of credit due a claimant exceeds the claimant's tax liability, the excess amount of the credit is refunded to the claimant by check. The credit first applies to taxable years beginning on January 1, 2011.

A beginning farmer may claim a credit of up to \$500 on a one-time basis for the cost to enroll in a course in farm financial management that is offered by an educational institution, such as the University of Wisconsin-Madison, the University of Wisconsin-Extension, or the Wisconsin Technical College System. An established farmer may claim a credit of 15 percent of the amount of payments that the established farmer receives each year from the beginning farmer for the lease of the farm assets, except that the credit may only be claimed by the established farmer for the first three years of the lease.

To be a beginning farmer, an individual must have a net worth of less than \$200,000 and have farmed for fewer than ten years out of the preceding 15 years. To be an established farmer, person must have engaged in farming for at least ten years. A beginning farmer and an established farmer must apply to DATCP and obtain a certificate of eligibility in order to receive the tax credit. A beginning farmer must submit a business plan as part of the application. DATCP may not issue a certificate of eligibility unless the application shows that the beginning farmer has the resources and education, training, or experience for the type of farming in which the beginning farmer uses the experienced farmer's assets.

Under current law, a health care provider may claim an income and franchise tax credit for an amount equal to 50 percent of the amount the provider paid in the taxable year for information technology hardware or software that is used to maintain medical records in electronic form. This bill allows a taxpayer to claim the credit against the alternative minimum tax.

Under current law, a person may claim an income and franchise tax credit for an amount equal to 25 percent of the amount the person paid in the taxable year to install or retrofit pumps that dispense motor vehicle fuel consisting of at least 85 percent ethanol or at least 20 percent biodiesel fuel. Under the bill, a taxpayer may claim the credit against the alternative minimum tax.

Under current law, after December 31, 2009, individuals and certain entities, including fiduciaries, corporations, and insurance companies, that are health care providers may receive a credit on income taxes based on purchases of hardware and software made for making and keeping electronic medical records. This bill delays the effective date of the tax credit until after December 31, 2011.

Under current law, a business located in a technology zone may claim an income and franchise tax credit, in an amount certified by the Department of Commerce, based on the amount of real and personal property taxes, capital investments, and wages the business paid in the taxable year. Under current law, all entities, except insurance companies, must include the amount of the credit in their income calculation, for income and franchise tax purposes. This bill requires insurance companies to include their technology zone credit amounts in their income calculations.

For further information see the **state** fiscal estimate, which will be printed as an appendix to this bill.

### The people of the state of Wisconsin, represented in senate and assembly, do enact as follows:

**Section 1.** 20.835 (2) (en) of the statutes is created to read:

1

- 2 20.835 (2) (en) Beginning farmer and farm asset owner tax credit. A sum
- 3 sufficient to pay the claims approved under ss. 71.07 (8r), 71.28 (8r), and 71.47 (8r).
  - **Section 2.** 71.05 (6) (a) 15. of the statutes is amended to read:

71.05 (6) (a) 15. The amount of the credits computed under s. 71.07 (2dd), (2de),
(2di), (2dj), (2dL), (2dm), (2dr), (2ds), (2dx), (2dy), (3g), (3h), (3n), (3p), (3r), (3s), (3t),
(3w), (5e), (5f), (5h), (5i), (5j), and (5k), and (8r) and not passed through by a
partnership, limited liability company, or tax-option corporation that has added that
amount to the partnership's, company's, or tax-option corporation's income under s.
71.21 (4) or 71.34 (1k) (g).

**Section 3.** 71.07 (5i) (b) of the statutes is amended to read:

71.07 (5i) (b) Filing claims. Subject to the limitations provided in this subsection, for taxable years beginning after December 31, 2009 2011, a claimant may claim as a credit against the taxes imposed under s. ss. 71.02 and 71.08, up to the amount of those taxes, an amount equal to 50 percent of the amount the claimant paid in the taxable year for information technology hardware or software that is used to maintain medical records in electronic form, if the claimant is a health care provider, as defined in s. 146.81 (1).

**Section 4.** 71.07 (5j) (b) of the statutes is amended to read:

71.07 **(5j)** (b) *Filing claims*. Subject to the limitations provided in this subsection, for taxable years beginning after December 31, 2007, and before January 1, 2018, a claimant may claim as a credit against the taxes imposed under s. ss. 71.02 and 71.08, up to the amount of the taxes, an amount that is equal to 25 percent of the amount that the claimant paid in the taxable year to install or retrofit pumps located in this state that dispense motor vehicle fuel consisting of at least 85 percent ethanol or at least 20 percent biodiesel fuel.

**Section 5.** 71.07 (8r) of the statutes is created to read:

71.07 (8r) Beginning farmer and farm asset owner tax credit. (a) Definitions. In this subsection:

25

1	1. "Agricultural assets" means machinery, equipment, facilities, or livestock
2	that is used in farming.
3	2. "Beginning farmer" means a person who meets the conditions specified in s.
4	93.53 (2).
5	3. "Claimant" means a beginning farmer who files a claim under this subsection
6	or an established farmer who files a claim under this subsection.
7	4. "Educational institution" means the Wisconsin Technical College System,
8	the University of Wisconsin-Extension, the University of Wisconsin-Madison, or
9	any other institution that is approved by the department of agriculture, trade and
10	consumer protection under s. 93.53 (6) (a).
11	5. "Established farmer" means a person who meets the conditions specified in
12	s. 93.53 (3).
13	6. "Farming" has the meaning given in section 464 (e) (1) of the Internal
14 15	Revenue Code.  7. "Financial management program" means a course in farm financial
16	management that is offered by an educational institution.
17	8. "Lease amount" is the amount of the cash payment paid by a beginning
18	farmer to an established farmer each year for leasing the established farmer's
19	agricultural assets.
20	(b) Filing claims. 1. For taxable years beginning after December 31, 2010, and
21	subject to the limitations provided in this subsection, a beginning farmer may claim
22	as a credit against the tax imposed under s. 71.02 or 71.08, on a one-time basis, the
23	amount paid by the beginning farmer to enroll in a financial management program

in the year to which the claim relates. If the allowable amount of the claim exceeds

the income taxes otherwise due on the beginning farmer's income, the amount of the

 $\mathbf{2}$ 

- claim not used as an offset against those taxes shall be certified by the department of revenue to the department of administration for payment to the claimant by check, share draft, or other draft from the appropriation under s. 20.835 (2) (en).
- 2. For taxable years beginning after December 31, 2010, and subject to the limitations provided in this subsection, an established farmer may claim as a credit against the tax imposed under s. 71.02 or 71.08 15 percent of the lease amount received by the established farmer in the year to which the claim relates. If the allowable amount of the claim exceeds the income taxes otherwise due on the established farmer's income, the amount of the claim not used as an offset against those taxes shall be certified by the department of revenue to the department of administration for payment to the claimant by check, share draft, or other draft from the appropriation under s. 20.835 (2) (en).
- (c) *Limitations*. 1. An established farmer may only claim the credit under this subsection for the first 3 years of any lease of the established farmer's agricultural assets to a beginning farmer.
- 2. No credit may be allowed under this subsection unless it is claimed within the time period under s. 71.75 (2).
- 3. Along with a claimant's income tax return, a claimant shall submit to the department certificate of eligibility provided under s. 93.53 (5) (b) or (c).
- 4. No credit may be claimed under this subsection by a part-year resident or a nonresident of this state.
- 5. The right to file a claim under this subsection is personal to the claimant and does not survive the claimant's death. When a claimant dies after having filed a timely claim the amount thereof shall be disbursed under s. 71.75 (10). The right to

- file a claim under this subsection may be exercised on behalf of a living claimant by the claimant's legal guardian or attorney-in-fact.
  - 6. The maximum credit that a beginning farmer may claim under this subsection is \$500.
  - 7. Partnerships, limited liability companies, and tax-option corporations may not claim the credit under this subsection, but the eligibility for, and the amount of, the credit are based on the amounts received by the entities under par. (b) 2. A partnership, limited liability company, or tax-option corporation shall compute the amount of credit that each of its partners, members, or shareholders may claim and shall provide that information to each of them. Partners, members of limited liability companies, and shareholders of tax-option corporations may claim the credit in proportion to their ownership interests.
  - (d) *Administration*. Subsection (9e) (d), to the extent that it applies to the credit under that subsection, applies to the credit under this subsection.

**SECTION 6.** 71.08 (1) (intro.) of the statutes is amended to read:

71.08 (1) IMPOSITION. (intro.) If the tax imposed on a natural person, married couple filing jointly, trust, or estate under s. 71.02, not considering the credits under ss. 71.07 (1), (2dd), (2de), (2di), (2dj), (2dL), (2dr), (2ds), (2dx), (2fd), (2dy), (3m), (3n), (3p), (3r), (3s), (3t), (3w), (5b), (5d), (5e), (5f), (5i), (5j), (6), (6e), (8r), and (9e), 71.28 (1dd), (1de), (1di), (1dj), (1dL), (1ds), (1dx), (1fd), (1dy), (2m), (3), (3n), (3t), and (3w), and 71.47 (1dd), (1de), (1di), (1dj), (1dL), (1ds), (1dx), (1fd), (1dy), (1dy), (2m), (3), (3n), (3t), and (3w), and subchs. 71.57 to 71.61, and 71.613 and subch. VIII and IX and payments to other states under s. 71.07 (7), is less than the tax under this section, there is imposed on that natural person, married couple filing jointly, trust or estate, instead of the tax under s. 71.02, an alternative minimum tax computed as follows:

**SECTION 7.** 71.10 (4) (i) of the statutes is amended to read:

71.10 (4) (i) The total of claim of right credit under s. 71.07 (1), farmland preservation credit under subch. IX ss. 71.57 to 71.61, farmland preservation credit, 2010 and beyond under s. 71.613, homestead credit under subch. VIII, farmland tax relief credit under s. 71.07 (3m), farmers' drought property tax credit under s. 71.07 (2fd), dairy manufacturing facility investment credit under s. 71.07 (3p), meat processing facility investment credit under s. 71.07 (3r), film production services credit under s. 71.07 (5f) (b) 2., veterans and surviving spouses property tax credit under s. 71.07 (6e), enterprise zone jobs credit under s. 71.07 (3w), beginning farmer and farm asset owner tax credit under s. 71.07 (8r), earned income tax credit under s. 71.07 (9e), estimated tax payments under s. 71.09, and taxes withheld under subch. X.

**SECTION 8.** 71.21 (4) of the statutes is amended to read:

71.21 (4) Credits computed by a partnership under s. 71.07 (2dd), (2de), (2di), (2dj), (2dL), (2dm), (2ds), (2dx), (2dy), (3g), (3h), (3n), (3p), (3r), (3s), (3t), (3w), (5e), (5f), (5g), (5h), (5i), (5j), and (5k), and (8r) and passed through to partners shall be added to the partnership's income.

**SECTION 9.** 71.26 (2) (a) 4. of the statutes is amended to read:

71.26 (2) (a) 4. Plus the amount of the credit computed under s. 71.28 (1dd), (1de), (1di), (1dj), (1dL), (1dm), (1ds), (1dx), (1dy), (3g), (3h), (3n), (3p), (3r), (3t), (3w), (5e), (5f), (5g), (5h), (5i), (5j), and (5k), and (8r) and not passed through by a partnership, limited liability company, or tax-option corporation that has added that amount to the partnership's, limited liability company's, or tax-option corporation's income under s. 71.21 (4) or 71.34 (1k) (g).

**SECTION 10.** 71.28 (5i) (b) of the statutes is amended to read:

2

3

4

5

6

7

8

13

14

15

16

17

18

19

20

21

22

23

24

71.28 (5i) (b) Filing claims. Subject to the limitations provided in this
subsection, for taxable years beginning after December 31, 2009 2011, a claimant
may claim as a credit against the taxes imposed under s. 71.23, up to the amount of
those taxes, an amount equal to 50 percent of the amount the claimant paid in the
taxable year for information technology hardware or software that is used to
maintain medical records in electronic form, if the claimant is a health care provider,
as defined in s. 146.81 (1).

- **SECTION 11.** 71.28 (8r) of the statutes is created to read:
- 9 71.28 (8r) BEGINNING FARMER AND FARM ASSET OWNER TAX CREDIT. (a) Definitions.

  10 In this subsection:
- 1. "Agricultural assets" means machinery, equipment, facilities, or livestock 12 that is used in farming.
  - 2. "Beginning farmer" means a person who meets the conditions specified in s. 93.53 (2).
  - 3. "Claimant" means an established farmer who files a claim under this subsection.
  - 4. "Established farmer" means a person who meets the conditions specified in s. 93.53 (3).
  - 5. "Farming" has the meaning given in section 464 (e) (1) of the Internal Revenue Code.
    - 6. "Lease amount" is the amount of the cash payment paid by a beginning farmer to an established farmer each year for leasing the established farmer's agricultural assets.
    - (b) *Filing claims*. For taxable years beginning after December 31, 2010, and subject to the limitations provided in this subsection, a claimant may claim as a

- credit against the tax imposed under s. 71.23 an amount equal to 15 percent of the lease amount received by the claimant in the taxable year. If the allowable amount of the claim exceeds the taxes otherwise due on the claimant's income, the amount of the claim not used as an offset against those taxes shall be certified by the department of revenue to the department of administration for payment to the claimant by check, share draft, or other draft from the appropriation under s. 20.835 (2) (en).
- (c) *Limitations*. 1. A claimant may only claim the credit under this subsection for the first 3 years of any lease of the claimant's agricultural assets to a beginning farmer.
- 2. Along with a claimant's income tax return, a claimant shall submit to the department a certificate of eligibility provided under s. 93.53 (5) (c).
- 3. Partnerships, limited liability companies, and tax-option corporations may not claim the credit under this subsection, but the eligibility for, and the amount of, the credit are based on the amounts received by the entities under par. (b). A partnership, limited liability company, or tax-option corporation shall compute the amount of credit that each of its partners, members, or shareholders may claim and shall provide that information to each of them. Partners, members of limited liability companies, and shareholders of tax-option corporations may claim the credit in proportion to their ownership interests.
- (d) *Administration*. Subsection (4) (e), (g), and (h), as it applies to the credit under that sub. (4), applies to the credit under this subsection.
  - **Section 12.** 71.30 (3) (f) of the statutes is amended to read:
- 71.30 (3) (f) The total of farmers' drought property tax credit under s. 71.28 (1fd), farmland preservation credit under subch. IX, farmland tax relief credit under

s. 71.28 (2m), dairy manufacturing facility investment credit under s. 71.28 (3p),
meat processing facility investment credit under s. 71.28 (3r), enterprise zone jobs
credit under s. 71.28 (3w), film production services credit under s. 71.28 (5f) (b) 2.,
beginning farmer and farm asset owner tax credit under s. 71.28 (8r), and estimated
tax payments under s. 71.29.

**SECTION 13.** 71.34 (1k) (g) of the statutes is amended to read:

71.34 (**1k**) (g) An addition shall be made for credits computed by a tax-option corporation under s. 71.28 (1dd), (1de), (1di), (1dj), (1dL), (1dm), (1ds), (1dx), (1dy), (3), (3g), (3h), (3n), (3p), (3r), (3t), (3w), (5e), (5f), (5g), (5h), (5i), (5j), and (5k), and (8r) and passed through to shareholders.

**SECTION 14.** 71.45 (2) (a) 10. of the statutes is amended to read:

71.45 (2) (a) 10. By adding to federal taxable income the amount of credit computed under s. 71.47 (1dd) to (1dx) (1dy), (3g), (3h), (3n), (3p), (3r), (3w), (5e), (5f), (5g), (5h), (5i), (5j), and (5k), and (8r) and not passed through by a partnership, limited liability company, or tax-option corporation that has added that amount to the partnership's, limited liability company's, or tax-option corporation's income under s. 71.21 (4) or 71.34 (1k) (g) and the amount of credit computed under s. 71.47 (1), (3), (3t), (4), (4m), and (5).

\*\*\*\*Note: This is reconciled s. 71.45 (2) (a)10. This Section has been affected by drafts with the following LRB numbers: LRB-0284/P2, LRB-0363/P1, LRB-1116/P2, LRB-1280/P1, and LRB-1509/2.

**SECTION 15.** 71.47 (5i) (b) of the statutes is amended to read:

71.47 (5i) (b) Filing claims. Subject to the limitations provided in this subsection, for taxable years beginning after December 31, 2009 2011, a claimant may claim as a credit against the taxes imposed under s. 71.43, up to the amount of those taxes, an amount equal to 50 percent of the amount the claimant paid in the

1	taxable year for information technology hardware or software that is used to
2	maintain medical records in electronic form, if the claimant is a health care provider,
3	as defined in s. 146.81 (1).
4	<b>Section 16.</b> 71.47 (8r) of the statutes is created to read:
5	71.47 (8r) Beginning farmer and farm asset owner tax credit. (a) $Definitions$ .
6	In this subsection:
7	1. "Agricultural assets" means machinery, equipment, facilities, or livestock
8	that is used in farming.
9	2. "Beginning farmer" means a person who meets the conditions specified in s.
10	93.53 (2).
11	3. "Claimant" means an established farmer who files a claim under this
12	subsection.
13	4. "Established farmer" means a person who meets the conditions specified in
14 15	s. 93.53 (3).  5. "Farming" has the meaning given in section 464 (e) (1) of the Internal
16	Revenue Code.
17	6. "Lease amount" is the amount of the cash payment paid by a beginning
18	farmer to an established farmer each year for leasing the established farmer's
19	agricultural assets.
20	(b) Filing claims. For taxable years beginning after December 31, 2010, and
21	subject to the limitations provided in this subsection, a claimant may claim as a
22	credit against the tax imposed under s. 71.43 an amount equal to 15 percent of the
23	lease amount received by the claimant in the taxable year. If the allowable amount
24	of the claim exceeds the taxes otherwise due on the claimant's income, the amount
25	of the claim not used as an offset against those taxes shall be certified by the

department of revenue to the department of administration for payment to the
claimant by check, share draft, or other draft from the appropriation under s. $20.835$
(2) (en).

- (c) *Limitations*. 1. A claimant may only claim the credit under this subsection for the first 3 years of any lease of the claimant's agricultural assets to a beginning farmer.
- 2. Along with a claimant's income tax return, a claimant shall submit to the department a certificate of eligibility provided under s. 93.53 (5) (c).
- 3. Partnerships, limited liability companies, and tax-option corporations may not claim the credit under this subsection, but the eligibility for, and the amount of, the credit are based on the amounts received by the entities under par. (b). A partnership, limited liability company, or tax-option corporation shall compute the amount of credit that each of its partners, members, or shareholders may claim and shall provide that information to each of them. Partners, members of limited liability companies, and shareholders of tax-option corporations may claim the credit in proportion to their ownership interests.
- (d) *Administration*. Subsection (4) (e), (g), and (h), as it applies to the credit under that sub. (4), applies to the credit under this subsection.

### **Section 17.** 71.49 (1) (f) of the statutes is amended to read:

71.49 (1) (f) The total of farmers' drought property tax credit under s. 71.47 (1fd), farmland preservation credit under subch. IX, farmland tax relief credit under s. 71.47 (2m), dairy manufacturing facility investment credit under s. 71.47 (3p), meat processing facility investment credit under s. 71.47 (3r), enterprise zone jobs credit under s. 71.47 (3w), film production services credit under s. 71.47 (5f) (b) 2.

 $\mathbf{2}$ 

3

4

5

6

7

8

9

10

11

12

13

14

15

16

17

18

19

20

21

22

23

24

beginning farmer and farm asset owner tax credit under s. 71.47 (8r), and estimated tax payments under s. 71.48.

**Section 18.** 77.92 (4) of the statutes is amended to read:

77.92 (4) "Net business income," with respect to a partnership, means taxable income as calculated under section 703 of the Internal Revenue Code; plus the items of income and gain under section 702 of the Internal Revenue Code, including taxable state and municipal bond interest and excluding nontaxable interest income or dividend income from federal government obligations; minus the items of loss and deduction under section 702 of the Internal Revenue Code, except items that are not deductible under s. 71.21; plus guaranteed payments to partners under section 707 (c) of the Internal Revenue Code; plus the credits claimed under s. 71.07 (2dd), (2de), (2di), (2dj), (2dL), (2dm), (2dr), (2ds), (2dx), (2dv), (3g), (3h), (3s), (3n), (3p), (3r), (3s), (3t), (3w), (5e), (5f), (5g), (5h), (5i), (5j), and (5k), and (8r); and plus or minus, as appropriate, transitional adjustments, depreciation differences, and basis differences under s. 71.05 (13), (15), (16), (17), and (19); but excluding income, gain, loss, and deductions from farming. "Net business income," with respect to a natural person, estate, or trust, means profit from a trade or business for federal income tax purposes and includes net income derived as an employee as defined in section 3121 (d) (3) of the Internal Revenue Code.

**SECTION 19.** 93.53 of the statutes is created to read:

- 93.53 Beginning farmer and farm asset owner tax credit eligibility. (1)

  DEFINITIONS. In this section:
- (a) "Agricultural asset" means machinery, equipment, facilities, or livestock that is used in farming.

1	(b) "Beginning farmer" means an individual who meets the conditions specified
2	in sub. (2).
3	(c) "Educational institution" means the Wisconsin Technical College System
4	the University of Wisconsin-Extension, the University of Wisconsin-Madison, or
5	any other institution that is approved by the department under sub. (6) (a).
6	(d) "Established farmer" means a person who meets the conditions specified in
7	sub. (3).
8	(e) "Farming" has the meaning given in section 464 (e) (1) of the Internal
9	Revenue Code.
10	(f) "Financial management program" means a course in farm financial
11	management that is offered by an educational institution.
12	(2) BEGINNING FARMER. An individual is a beginning farmer for the purposes of
13	s. 71.07 (8r), 71.28 (8r), or 71.47 (8r) if, at the time that the individual submits an
14	application under sub. (4), all of the following apply:
15	(a) The individual has a net worth of less than \$200,000.
16	(b) The individual has farmed for fewer than 10 years out of the preceding 15
17	years.
18	(c) The individual has entered into a lease for a term of at least 3 years with
19	an established farmer for the use of the established farmer's agricultural assets by
20	the beginning farmer.
21	(d) The individual uses the leased agricultural assets for farming.
22	(3) ESTABLISHED FARMER. A person is an established farmer for the purposes of
23	s. 71.07 (8r), 71.28 (8r), or 71.47 (8r) if, at the time that the person submits an
24	application under sub. (4), all of the following apply:

(a) The person has engaged in farming for a total of at least 10 years.

25

assets.

1	(b) The person owns agricultural assets.
2	(c) The person has entered into a lease for a term of at least 3 years with a
3	beginning farmer for the use of the person's agricultural assets by the beginning
4	farmer.
5	(4) APPLICATIONS. (a) In order for an experienced farmer to claim the farm asset
6	owner tax credit under s. 71.07 (8r) (b) 2., 71.28 (8r), or 71.47 (8r), the experienced
7	farmer and the beginning farmer who is leasing agricultural assets from the
8	experienced farmer shall each submit an application to the department.
9	(b) An established farmer shall include in the application under this subsection
10	the established farmer's name and address, information showing that the
11	established farmer satisfies the conditions in specified in sub. (3), a description of the
12	leased agricultural assets and their location, a copy of the lease, and any other
13	information required by the department.
14	(c) A beginning farmer shall include all of the following in an application under
15	this subsection:
16	1. The beginning farmer's name and address.
17	2. Information showing that the beginning farmer satisfies the conditions in
18	sub. (2).
19	3. A business plan that includes a current balance sheet and projected balance
20	sheets for 3 years, cash flow statements, and income statements along with a
21	detailed description of all significant accounting assumptions used in developing the
22	financial projections.
23	4. A description of the beginning farmer's education, training, and experience

in the type of farming in which the beginning farmer uses the leased agricultural

4

5

6

7

8

9

10

11

12

13

14

15

16

17

18

19

20

21

22

23

24

1	5. A copy of the beginning farmer's completed federal profit or loss from farming
2	form, scheduleF, orotherdocumentationapprovedbythedepartmentundersub.(6).
3	6. Any other information required by the department.

- (d) If a beginning farmer wishes to claim the beginning farmer educational credit under s. 71.07 (8r) (b) 1., the beginning farmer shall also include in the application under this subsection a description of the financial management program completed by the beginning farmer and a statement of the amount that the beginning farmer paid the educational institution to enroll in the financial management program.
- (5)EVALUATION AND CERTIFICATION. (a) The department shall review applications submitted under sub. (4) (a).
- (b) The department shall provide an established farmer with a certificate of eligibility for the farm asset owner tax credit under s. 71.07 (8r) (b) 2., 71.28 (8r), or 71.47 (8r) if all of the following apply:
  - 1. The established farmer's application complies with sub. (4) (b).
  - 2. The beginning farmer's application complies with sub. (4) (c).
- 3. The department determines that the business plan submitted under sub. (4) (c) 3. and the education, training, or experience described under sub. (4) (c) 4. show that the beginning farmer has sufficient resources and education, training, or experience for the type of farming in which the beginning farmer uses the leased agricultural assets.
- (c) The department shall provide a beginning farmer with a certificate of eligibility for the beginning farmer educational credit under s. 71.07 (8r) (b) 1. if the department has issued a certificate of eligibility under par. (b) for the experienced farmer from whom the beginning farmer leases farm assets and the information

1	provided under sub. (4) (d) shows that the beginning farmer has completed a
2	financial management program.
3	(6) DEPARTMENT AUTHORITY. (a) The department may approve providers of
4	courses in farm financial management for the purposes of the beginning farmer
5	educational credit under s. 71.07 (8r) (b) 1.
6	(b) The department may approve alternative documentation for the purposes
7	of sub. (4) (c) 5.
8	(c) The department may assist beginning farmers to develop business plans for
9	the purposes of sub. (4) (c) 3. and may assist in the negotiation of leases of farm assets
10	that may enable persons to qualify for tax credits under s. 71.07 (8r), 71.28 (8r), or
11	71.47 (8r).
12	Section 9343. Initial applicability; Revenue.
13	(1) Ethanol and biodiesel fuel pump credit. The treatment of sections $71.07$
14	(5j) (b) and $71.08$ (1) (intro.) (as it relates to section $71.07$ (5j)) of the statutes first
15	applies retroactively to taxable years beginning after December 31, 2007.
16	(2) ELECTRONIC MEDICAL RECORDS CREDIT. The treatment of sections 71.07 (5i)
17	(b) and $71.08(1)$ (intro.) (as it relates to section $71.07(5i)$ ) of the statutes first applies
18	to taxable years beginning after December 31, 2009.
19	(3) Technology zones credit. The treatment of section 71.45 (2) (a) 10. (as it
20	$relates\ to\ section\ 71.47\ (3g))\ of\ the\ statutes\ first\ applies\ retroactively\ to\ taxable\ years$
21	beginning on or after January 1, 2002.
22	Section 9443. Effective dates; Revenue.

1 (1) Technology zones credit. The treatment of section 71.45 (2) (a) 10. (as it relates to section 71.47 (3g)) of the statutes takes effect retroactively on January 1, 2002.

(END)

### STATE OF WISCONSIN - LEGISLATIVE REFERENCE BUREAU

LRB LRB Research (608-266-0341) Legal (608-266-3561) Library (608-266-7040) uftreconciles

uftreconciles

LRB-1280/2 g LRB-0362/P/A

LRB-1778/2010 Jesther LRB-0362 mor LRB-1778 should be in the compiles

# DRAFTER'S NOTE FROM THE LEGISLATIVE REFERENCE BUREAU

LRB-1280/3dn JK:bjk:ph

February 6, 2009

This draft reconciles LRB-1280/2, LRB-0362/P1, and LRB-1778/2. Neither LRB-0362 nor LRB-1778 should be in the compile.

Joseph T. Kreye Senior Legislative Attorney Phone: (608) 266-2263 E-mail: joseph.kreye@legis.wisconsin.gov



# State of Misconsin 2009 - 2010 LEGISLATURE

LRB-1280/3 MES/RCT/JK:bjk:ph

DOA:.....Miner, BB0315 - Individual income and corporate income and franchise tax credit for landowners and beginning farmers

FOR 2009-11 BUDGET -- NOT READY FOR INTRODUCTION

AN ACT ...; relating to: the budget.

## Analysis by the Legislative Reference Bureau TAXATION

#### **INCOME TAXATION**

This bill creates a refundable individual income tax credit for a beginning farmer who enters into at least a three year lease of an established farmer's agricultural assets, other than land, and uses the assets for farming, and a refundable individual and corporate income and franchise tax credit for the established farmer whose assets are leased. Because the credit is refundable, if the amount of credit due a claimant exceeds the claimant's tax liability, the excess amount of the credit is refunded to the claimant by check. The credit first applies to taxable years beginning on January 1, 2011.

A beginning farmer may claim a credit of up to \$500 on a one-time basis for the cost to enroll in a course in farm financial management that is offered by an educational institution, such as the University of Wisconsin-Madison, the University of Wisconsin-Extension, or the Wisconsin Technical College System. An established farmer may claim a credit of 15 percent of the amount of payments that the established farmer receives each year from the beginning farmer for the lease of the farm assets, except that the credit may only be claimed by the established farmer for the first three years of the lease.

4

To be a beginning farmer, an individual must have a net worth of less than \$200,000 and have farmed for fewer than ten years out of the preceding 15 years. To be an established farmer, person must have engaged in farming for at least ten years. A beginning farmer and an established farmer must apply to DATCP and obtain a certificate of eligibility in order to receive the tax credit. A beginning farmer must submit a business plan as part of the application. DATCP may not issue a certificate of eligibility unless the application shows that the beginning farmer has the resources and education, training, or experience for the type of farming in which the beginning farmer uses the experienced farmer's assets.

Under current law, a health care provider may claim an income and franchise tax credit for an amount equal to 50 percent of the amount the provider paid in the taxable year for information technology hardware or software that is used to maintain medical records in electronic form. This bill allows a taxpayer to claim the credit against the alternative minimum tax.

Under current law, a person may claim an income and franchise tax credit for an amount equal to 25 percent of the amount the person paid in the taxable year to install or retrofit pumps that dispense motor vehicle fuel consisting of at least 85 percent ethanol or at least 20 percent biodiesel fuel. Under the bill, a taxpayer may claim the credit against the alternative minimum tax.

Under current law, after December 31, 2009, individuals and certain entities, including fiduciaries, corporations, and insurance companies, that are health care providers may receive a credit on income taxes based on purchases of hardware and software made for making and keeping electronic medical records. This bill delays the effective date of the tax credit until after December 31, 2011.

Under current law, a business located in a technology zone may claim an income and franchise tax credit, in an amount certified by the Department of Commerce, based on the amount of real and personal property taxes, capital investments, and wages the business paid in the taxable year. Under current law, all entities, except insurance companies, must include the amount of the credit in their income calculation, for income and franchise tax purposes. This bill requires insurance companies to include their technology zone credit amounts in their income calculations.

For further information see the *state* fiscal estimate, which will be printed as an appendix to this bill.

## The people of the state of Wisconsin, represented in senate and assembly, do enact as follows:

- **SECTION 1.** 20.835 (2) (en) of the statutes is created to read:
- 2 20.835 (2) (en) Beginning farmer and farm asset owner tax credit. A sum
- 3 sufficient to pay the claims approved under ss. 71.07 (8r), 71.28 (8r), and 71.47 (8r).
  - **SECTION 2.** 71.05 (6) (a) 15. of the statutes is amended to read:

71.05 (6) (a) 15. The amount of the credits computed under s. 71.07 (2dd), (2de), (2di), (2dj), (2dL), (2dm), (2dr), (2ds), (2dx), (2dy), (3g), (3h), (3n), (3p), (3r), (3s), (3t), (3w), (5e), (5f), (5h), (5i), (5j), and (5k), and (8r) and not passed through by a partnership, limited liability company, or tax-option corporation that has added that amount to the partnership's, company's, or tax-option corporation's income under s. 71.21 (4) or 71.34 (1k) (g).

**SECTION 3.** 71.07 (5i) (b) of the statutes is amended to read:

71.07 (5i) (b) Filing claims. Subject to the limitations provided in this subsection, for taxable years beginning after December 31, 2009 2011, a claimant may claim as a credit against the taxes imposed under s. ss. 71.02 and 71.08, up to the amount of those taxes, an amount equal to 50 percent of the amount the claimant paid in the taxable year for information technology hardware or software that is used to maintain medical records in electronic form, if the claimant is a health care provider, as defined in s. 146.81 (1).

**SECTION 4.** 71.07 (5j) (b) of the statutes is amended to read:

71.07 **(5j)** (b) *Filing claims*. Subject to the limitations provided in this subsection, for taxable years beginning after December 31, 2007, and before January 1, 2018, a claimant may claim as a credit against the taxes imposed under s. ss. 71.02 and 71.08, up to the amount of the taxes, an amount that is equal to 25 percent of the amount that the claimant paid in the taxable year to install or retrofit pumps located in this state that dispense motor vehicle fuel consisting of at least 85 percent ethanol or at least 20 percent biodiesel fuel.

**Section 5.** 71.07 (8r) of the statutes is created to read:

71.07 (8r) Beginning farmer and farm asset owner tax credit. (a) Definitions. In this subsection:

L	1. "Agricultural assets" means machinery, equipment, facilities, or livestock
2	that is used in farming.
3	2. "Beginning farmer" means a person who meets the conditions specified in s.

- 93.53 (2).
- 3. "Claimant" means a beginning farmer who files a claim under this subsection or an established farmer who files a claim under this subsection.
- 4. "Educational institution" means the Wisconsin Technical College System, the University of Wisconsin-Extension, the University of Wisconsin-Madison, or any other institution that is approved by the department of agriculture, trade and consumer protection under s. 93.53 (6) (a).
- 5. "Established farmer" means a person who meets the conditions specified in s. 93.53 (3).
- 6. "Farming" has the meaning given in section 464 (e) (1) of the Internal Revenue Code.
- 7. "Financial management program" means a course in farm financial management that is offered by an educational institution.
- 8. "Lease amount" is the amount of the cash payment paid by a beginning farmer to an established farmer each year for leasing the established farmer's agricultural assets.
- (b) *Filing claims*. 1. For taxable years beginning after December 31, 2010, and subject to the limitations provided in this subsection, a beginning farmer may claim as a credit against the tax imposed under s. 71.02 or 71.08, on a one-time basis, the amount paid by the beginning farmer to enroll in a financial management program in the year to which the claim relates. If the allowable amount of the claim exceeds the income taxes otherwise due on the beginning farmer's income, the amount of the

- claim not used as an offset against those taxes shall be certified by the department of revenue to the department of administration for payment to the claimant by check, share draft, or other draft from the appropriation under s. 20.835 (2) (en).
- 2. For taxable years beginning after December 31, 2010, and subject to the limitations provided in this subsection, an established farmer may claim as a credit against the tax imposed under s. 71.02 or 71.08 15 percent of the lease amount received by the established farmer in the year to which the claim relates. If the allowable amount of the claim exceeds the income taxes otherwise due on the established farmer's income, the amount of the claim not used as an offset against those taxes shall be certified by the department of revenue to the department of administration for payment to the claimant by check, share draft, or other draft from the appropriation under s. 20.835 (2) (en).
- (c) *Limitations*. 1. An established farmer may only claim the credit under this subsection for the first 3 years of any lease of the established farmer's agricultural assets to a beginning farmer.
- 2. No credit may be allowed under this subsection unless it is claimed within the time period under s. 71.75 (2).
- 3. Along with a claimant's income tax return, a claimant shall submit to the department certificate of eligibility provided under s. 93.53 (5) (b) or (c).
- 4. No credit may be claimed under this subsection by a part-year resident or a nonresident of this state.
- 5. The right to file a claim under this subsection is personal to the claimant and does not survive the claimant's death. When a claimant dies after having filed a timely claim the amount thereof shall be disbursed under s. 71.75 (10). The right to

- file a claim under this subsection may be exercised on behalf of a living claimant by the claimant's legal guardian or attorney-in-fact.
- 6. The maximum credit that a beginning farmer may claim under this subsection is \$500.
- 7. Partnerships, limited liability companies, and tax-option corporations may not claim the credit under this subsection, but the eligibility for, and the amount of, the credit are based on the amounts received by the entities under par. (b) 2. A partnership, limited liability company, or tax-option corporation shall compute the amount of credit that each of its partners, members, or shareholders may claim and shall provide that information to each of them. Partners, members of limited liability companies, and shareholders of tax-option corporations may claim the credit in proportion to their ownership interests.
- (d) *Administration*. Subsection (9e) (d), to the extent that it applies to the credit under that subsection, applies to the credit under this subsection.

**Section 6.** 71.08 (1) (intro.) of the statutes is amended to read:

71.08 (1) IMPOSITION. (intro.) If the tax imposed on a natural person, married couple filing jointly, trust, or estate under s. 71.02, not considering the credits under ss. 71.07 (1), (2dd), (2de), (2di), (2dj), (2dL), (2dr), (2ds), (2dx), (2fd), (2dy), (3m), (3n), (3p), (3r), (3s), (3t), (3w), (5b), (5d), (5e), (5f), (5i), (5j), (6), (6e), (8r), and (9e), 71.28 (1dd), (1de), (1di), (1dj), (1dL), (1ds), (1dx), (1fd), (1dy), (2m), (3), (3n), (3t), and (3w), and 71.47 (1dd), (1de), (1di), (1dj), (1dL), (1ds), (1dx), (1fd), (1dy), (1dy), (2m), (3), (3n), (3t), and (3w), and subchs. 71.57 to 71.61, and 71.613 and subch. VIII and IX and payments to other states under s. 71.07 (7), is less than the tax under this section, there is imposed on that natural person, married couple filing jointly, trust or estate, instead of the tax under s. 71.02, an alternative minimum tax computed as follows:

 $\mathbf{2}$ 

**Section 7.** 71.10 (4) (i) of the statutes is amended to read:

71.10 (4) (i) The total of claim of right credit under s. 71.07 (1), farmland preservation credit under subch. IX ss. 71.57 to 71.61, farmland preservation credit, 2010 and beyond under s. 71.613, homestead credit under subch. VIII, farmland tax relief credit under s. 71.07 (3m), farmers' drought property tax credit under s. 71.07 (2fd), dairy manufacturing facility investment credit under s. 71.07 (3p), meat processing facility investment credit under s. 71.07 (3r), film production services credit under s. 71.07 (5f) (b) 2., veterans and surviving spouses property tax credit under s. 71.07 (6e), enterprise zone jobs credit under s. 71.07 (3w), beginning farmer and farm asset owner tax credit under s. 71.07 (8r), earned income tax credit under s. 71.07 (9e), estimated tax payments under s. 71.09, and taxes withheld under subch. X.

**SECTION 8.** 71.21 (4) of the statutes is amended to read:

71.21 **(4)** Credits computed by a partnership under s. 71.07 (2dd), (2de), (2di), (2dj), (2dL), (2dm), (2ds), (2dx), (2dy), (3g), (3h), (3n), (3p), (3r), (3s), (3t), (3w), (5e), (5f), (5g), (5h), (5i), (5j), and (5k), and (8r) and passed through to partners shall be added to the partnership's income.

**Section 9.** 71.26 (2) (a) 4. of the statutes is amended to read:

71.26 (2) (a) 4. Plus the amount of the credit computed under s. 71.28 (1dd), (1de), (1di), (1dj), (1dL), (1dm), (1ds), (1dx), (1dy), (3g), (3h), (3n), (3p), (3r), (3t), (3w), (5e), (5f), (5g), (5h), (5i), (5j), and (5k), and (8r) and not passed through by a partnership, limited liability company, or tax-option corporation that has added that amount to the partnership's, limited liability company's, or tax-option corporation's income under s. 71.21 (4) or 71.34 (1k) (g).

**SECTION 10.** 71.28 (5i) (b) of the statutes is amended to read:

2

3

4

5

6

7

13

14

15

16

17

18

21

22

23

24

71.28 (5i) (b) Filing claims. Subject to the limitations provided in this
subsection, for taxable years beginning after December 31, 2009 2011, a claimant
may claim as a credit against the taxes imposed under s. 71.23, up to the amount of
those taxes, an amount equal to 50 percent of the amount the claimant paid in the
taxable year for information technology hardware or software that is used to
maintain medical records in electronic form, if the claimant is a health care provider,
as defined in s. 146.81 (1).
<b>SECTION 11.</b> 71.28 (8r) of the statutes is created to read:

- 9 71.28 (8r) BEGINNING FARMER AND FARM ASSET OWNER TAX CREDIT. (a) Definitions.

  10 In this subsection:
- 1. "Agricultural assets" means machinery, equipment, facilities, or livestock 12 that is used in farming.
  - 2. "Beginning farmer" means a person who meets the conditions specified in s. 93.53 (2).
    - 3. "Claimant" means an established farmer who files a claim under this subsection.
    - 4. "Established farmer" means a person who meets the conditions specified in s. 93.53 (3).
- 5. "Farming" has the meaning given in section 464 (e) (1) of the Internal Revenue Code.
  - 6. "Lease amount" is the amount of the cash payment paid by a beginning farmer to an established farmer each year for leasing the established farmer's agricultural assets.
  - (b) *Filing claims*. For taxable years beginning after December 31, 2010, and subject to the limitations provided in this subsection, a claimant may claim as a

- credit against the tax imposed under s. 71.23 an amount equal to 15 percent of the lease amount received by the claimant in the taxable year. If the allowable amount of the claim exceeds the taxes otherwise due on the claimant's income, the amount of the claim not used as an offset against those taxes shall be certified by the department of revenue to the department of administration for payment to the claimant by check, share draft, or other draft from the appropriation under s. 20.835 (2) (en).
- (c) *Limitations*. 1. A claimant may only claim the credit under this subsection for the first 3 years of any lease of the claimant's agricultural assets to a beginning farmer.
- 2. Along with a claimant's income tax return, a claimant shall submit to the department a certificate of eligibility provided under s. 93.53 (5) (c).
- 3. Partnerships, limited liability companies, and tax-option corporations may not claim the credit under this subsection, but the eligibility for, and the amount of, the credit are based on the amounts received by the entities under par. (b). A partnership, limited liability company, or tax-option corporation shall compute the amount of credit that each of its partners, members, or shareholders may claim and shall provide that information to each of them. Partners, members of limited liability companies, and shareholders of tax-option corporations may claim the credit in proportion to their ownership interests.
- (d) *Administration*. Subsection (4) (e), (g), and (h), as it applies to the credit under that sub. (4), applies to the credit under this subsection.
  - **SECTION 12.** 71.30 (3) (f) of the statutes is amended to read:
- 71.30 (3) (f) The total of farmers' drought property tax credit under s. 71.28 (1fd), farmland preservation credit under subch. IX, farmland tax relief credit under

s. 71.28 (2m), dairy manufacturing facility investment credit under s. 71.28 (3p),
meat processing facility investment credit under s. 71.28 (3r), enterprise zone jobs
credit under s. 71.28 (3w), film production services credit under s. 71.28 (5f) (b) 2.,
beginning farmer and farm asset owner tax credit under s. 71.28 (8r), and estimated
tax payments under s. 71.29.

**SECTION 13.** 71.34 (1k) (g) of the statutes is amended to read:

71.34 (1k) (g) An addition shall be made for credits computed by a tax-option corporation under s. 71.28 (1dd), (1de), (1di), (1dj), (1dL), (1dm), (1ds), (1dx), (1dy), (3), (3g), (3h), (3n), (3p), (3r), (3t), (3w), (5e), (5f), (5g), (5h), (5i), (5j), and (5k), and (8r) and passed through to shareholders.

**SECTION 14.** 71.45 (2) (a) 10. of the statutes is amended to read:

71.45 (2) (a) 10. By adding to federal taxable income the amount of credit computed under s. 71.47 (1dd) to (1dx) (1dy), (3g), (3h), (3n), (3p), (3r), (3w), (5e), (5f), (5g), (5h), (5i), (5j), and (5k), and (8r) and not passed through by a partnership, limited liability company, or tax-option corporation that has added that amount to the partnership's, limited liability company's, or tax-option corporation's income under s. 71.21 (4) or 71.34 (1k) (g) and the amount of credit computed under s. 71.47 (1), (3), (3t), (4), (4m), and (5).

\*\*\*\*Note: This is reconciled s. 71.45 (2) (a) 10. This Section has been affected by drafts with the following LRB numbers: LRB-0284/P2, LRB-0363/P1, LRB-1116/P2, LRB-1280/P1, and LRB-1509/2.

**SECTION 15.** 71.47 (5i) (b) of the statutes is amended to read:

71.47 (5i) (b) Filing claims. Subject to the limitations provided in this subsection, for taxable years beginning after December 31, 2009 2011, a claimant may claim as a credit against the taxes imposed under s. 71.43, up to the amount of those taxes, an amount equal to 50 percent of the amount the claimant paid in the

1	taxable year for information technology hardware or software that is used to		
2 maintain medical records in electronic form, if the claimant is a health of			
3	as defined in s. 146.81 (1).		
4	<b>Section 16.</b> 71.47 (8r) of the statutes is created to read:		
5	71.47 (8r) Beginning farmer and farm asset owner tax credit. (a) Definitions.		
6	In this subsection:		
7	1. "Agricultural assets" means machinery, equipment, facilities, or livestock		
8	that is used in farming.		
9	2. "Beginning farmer" means a person who meets the conditions specified in s.		
10	93.53 (2).		
11	3. "Claimant" means an established farmer who files a claim under this		
12	subsection.		
13	4. "Established farmer" means a person who meets the conditions specified in		
14	s. 93.53 (3)		
15	5. "Farming" has the meaning given in section 464 (e) (1) of the Internal		
16	Revenue Code.		
17	6. "Lease amount" is the amount of the cash payment paid by a beginning		
18	farmer to an established farmer each year for leasing the established farmer's		
19	agricultural assets.		
20	(b) Filing claims. For taxable years beginning after December 31, 2010, and		
21	subject to the limitations provided in this subsection, a claimant may claim as a		
22	credit against the tax imposed under s. 71.43 an amount equal to 15 percent of the		
23	lease amount received by the claimant in the taxable year. If the allowable amount		
24	of the claim exceeds the taxes otherwise due on the claimant's income, the amount		
25	of the claim not used as an offset against those taxes shall be certified by the		

department of revenue to the department of administration for payment to the
claimant by check, share draft, or other draft from the appropriation under s. $20.835$
(2) (en).

- (c) *Limitations*. 1. A claimant may only claim the credit under this subsection for the first 3 years of any lease of the claimant's agricultural assets to a beginning farmer.
- 2. Along with a claimant's income tax return, a claimant shall submit to the department a certificate of eligibility provided under s. 93.53 (5) (c).
- 3. Partnerships, limited liability companies, and tax-option corporations may not claim the credit under this subsection, but the eligibility for, and the amount of, the credit are based on the amounts received by the entities under par. (b). A partnership, limited liability company, or tax-option corporation shall compute the amount of credit that each of its partners, members, or shareholders may claim and shall provide that information to each of them. Partners, members of limited liability companies, and shareholders of tax-option corporations may claim the credit in proportion to their ownership interests.
- (d) Administration. Subsection (4) (e), (g), and (h), as it applies to the credit under that sub. (4), applies to the credit under this subsection.

### **Section 17.** 71.49 (1) (f) of the statutes is amended to read:

71.49 (1) (f) The total of farmers' drought property tax credit under s. 71.47 (1fd), farmland preservation credit under subch. IX, farmland tax relief credit under s. 71.47 (2m), dairy manufacturing facility investment credit under s. 71.47 (3p), meat processing facility investment credit under s. 71.47 (3r), enterprise zone jobs credit under s. 71.47 (3w), film production services credit under s. 71.47 (5f) (b) 2.,

2

3

4

5

6

7

8

9

10

11

12

13

14

15

16

17

18

19

20

21

22

23

24

beginning farmer and farm asset owner tax credit under s. 71.47 (8r), and estimated tax payments under s. 71.48.

**Section 18.** 77.92 (4) of the statutes is amended to read:

77.92 (4) "Net business income," with respect to a partnership, means taxable income as calculated under section 703 of the Internal Revenue Code; plus the items of income and gain under section 702 of the Internal Revenue Code, including taxable state and municipal bond interest and excluding nontaxable interest income or dividend income from federal government obligations; minus the items of loss and deduction under section 702 of the Internal Revenue Code, except items that are not deductible under s. 71.21; plus guaranteed payments to partners under section 707 (c) of the Internal Revenue Code; plus the credits claimed under s. 71.07 (2dd), (2de), (2di), (2dj), (2dL), (2dm), (2dr), (2ds), (2dx), (2dy), (3g), (3h), (3s), (3n), (3p), (3r), (3s), (3t), (3w), (5e), (5f), (5g), (5h), (5i), (5j), and (5k), and (8r); and plus or minus, as appropriate, transitional adjustments, depreciation differences, and basis differences under s. 71.05 (13), (15), (16), (17), and (19); but excluding income, gain, loss, and deductions from farming. "Net business income," with respect to a natural person, estate, or trust, means profit from a trade or business for federal income tax purposes and includes net income derived as an employee as defined in section 3121 (d) (3) of the Internal Revenue Code.

**Section 19.** 93.53 of the statutes is created to read:

93.53 Beginning farmer and farm asset owner tax credit eligibility. (1)

DEFINITIONS. In this section:

(a) "Agricultural asset" means machinery, equipment, facilities, or livestock that is used in farming.

1	(b) "Beginning farmer" means an individual who meets the conditions specified
2	in sub. (2).
3	(c) "Educational institution" means the Wisconsin Technical College System
4	the University of Wisconsin-Extension, the University of Wisconsin-Madison, or
5	any other institution that is approved by the department under sub. (6) (a).
6	(d) "Established farmer" means a person who meets the conditions specified in
7	sub. (3).
8	(e) "Farming" has the meaning given in section 464 (e) (1) of the Internal
9	Revenue Code.
10	(f) "Financial management program" means a course in farm financial
11	management that is offered by an educational institution.
12	(2) BEGINNING FARMER. An individual is a beginning farmer for the purposes of
13	s. 71.07 (8r), 71.28 (8r), or 71.47 (8r) if, at the time that the individual submits an
14	application under sub. (4), all of the following apply:
15	(a) The individual has a net worth of less than \$200,000.
16	(b) The individual has farmed for fewer than 10 years out of the preceding 15
17	years.
18	(c) The individual has entered into a lease for a term of at least 3 years with
19	an established farmer for the use of the established farmer's agricultural assets by
20	the beginning farmer.
21	(d) The individual uses the leased agricultural assets for farming.
22	(3) ESTABLISHED FARMER. A person is an established farmer for the purposes of
23	s. 71.07 (8r), 71.28 (8r), or 71.47 (8r) if, at the time that the person submits an
24	application under sub. (4), all of the following apply:

(a) The person has engaged in farming for a total of at least 10 years.

22

23

24

25

financial projections.

assets.

1	(b) The person owns agricultural assets.
2	(c) The person has entered into a lease for a term of at least 3 years with a
3	beginning farmer for the use of the person's agricultural assets by the beginning
4	farmer.
5	(4) APPLICATIONS. (a) In order for an experienced farmer to claim the farm asser
6	owner tax credit under s. 71.07 (8r) (b) 2., 71.28 (8r), or 71.47 (8r), the experienced
7	farmer and the beginning farmer who is leasing agricultural assets from the
8	experienced farmer shall each submit an application to the department.
9	(b) An established farmer shall include in the application under this subsection
10	the established farmer's name and address, information showing that the
11	established farmer satisfies the conditions in specified in sub. (3), a description of the
12	leased agricultural assets and their location, a copy of the lease, and any other
13	information required by the department.
14	(c) A beginning farmer shall include all of the following in an application under
15	this subsection:
16	1. The beginning farmer's name and address.
17	2. Information showing that the beginning farmer satisfies the conditions in
18	sub. (2).
19	3. A business plan that includes a current balance sheet and projected balance
20	sheets for 3 years, cash flow statements, and income statements along with a

 $detailed \ description \ of \ all \ significant \ accounting \ assumptions \ used \ in \ developing \ the$ 

in the type of farming in which the beginning farmer uses the leased agricultural

4. A description of the beginning farmer's education, training, and experience

5	5. A copy of the beginning farmer's completed federal profit or loss from f	arming
form, s	schedule F, or other documentation approved by the department under s	sub. (6).

- 6. Any other information required by the department.
- (d) If a beginning farmer wishes to claim the beginning farmer educational credit under s. 71.07 (8r) (b) 1., the beginning farmer shall also include in the application under this subsection a description of the financial management program completed by the beginning farmer and a statement of the amount that the beginning farmer paid the educational institution to enroll in the financial management program.
- (5) EVALUATION AND CERTIFICATION. (a) The department shall review applications submitted under sub. (4) (a).
- (b) The department shall provide an established farmer with a certificate of eligibility for the farm asset owner tax credit under s. 71.07 (8r) (b) 2., 71.28 (8r), or 71.47 (8r) if all of the following apply:
  - 1. The established farmer's application complies with sub. (4) (b).
  - 2. The beginning farmer's application complies with sub. (4) (c).
- 3. The department determines that the business plan submitted under sub. (4) (c) 3. and the education, training, or experience described under sub. (4) (c) 4. show that the beginning farmer has sufficient resources and education, training, or experience for the type of farming in which the beginning farmer uses the leased agricultural assets.
- (c) The department shall provide a beginning farmer with a certificate of eligibility for the beginning farmer educational credit under s. 71.07 (8r) (b) 1. if the department has issued a certificate of eligibility under par. (b) for the experienced farmer from whom the beginning farmer leases farm assets and the information

23

2002.

1	provided under sub. (4) (d) shows that the beginning farmer has completed a
$2^{-}$	financial management program.
3	(6) DEPARTMENT AUTHORITY. (a) The department may approve providers of
4	courses in farm financial management for the purposes of the beginning farmer
5	educational credit under s. 71.07 (8r) (b) 1.
6	(b) The department may approve alternative documentation for the purposes
7	of sub. (4) (c) 5.
8	(c) The department may assist beginning farmers to develop business plans for
9	the purposes of sub. (4) (c) 3. and may assist in the negotiation of leases of farm assets
10	that may enable persons to qualify for tax credits under s. 71.07 (8r), 71.28 (8r), or
11	71.47 (8r).
12	SECTION 9343. Initial applicability; Revenue.
13	(1) ETHANOL AND BIODIESEL FUEL PUMP CREDIT. The treatment of sections 71.07
14	(5j) (b) and 71.08 (1) (intro.) (as it relates to section 71.07 (5j)) of the statutes first
15	applies retroactively to taxable years beginning after December 31, 2007.
16	(2) Technology zones credit. The treatment of section 71.45 (2) (a) 10. (as it
17	$relates \ to \ section\ 71.47\ (3g))\ of\ the\ statutes\ first\ applies\ retroactively\ to\ taxable\ years$
18	beginning on or after January 1, 2002.
19	Section 9443. Effective dates; Revenue.
20	(1) Technology zones credit. The treatment of section 71.45 (2) (a) 10. (as it
21	relates to section 71.47 (3g)) of the statutes takes effect retroactively on January 1,

(END)